

Message Text

UNCLASSIFIED

PAGE 01 TOKYO 19508 01 OF 02 201127Z

ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 SS-15 STR-05 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 AGRE-00 DOE-12 SOE-01 IGA-02 /120 W
-----104933 210031Z /11

R 200908Z DEC 77

FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 3714
TREASURY DEPT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS SECTION 1 OF 2 TOKYO 19508

USEEC
USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: GOJ EXPANDS IMPORT FINANCING FACILITIES

1. SUMMARY: GOVT OF JAPAN ANNOUNCED DEC 16 THREE MEASURES TO EXPAND IMPORT FINANCING FACILITIES TO HELP REDUCE JAPAN'S LARGE CURRENT ACCOUNT SURPLUS: (A) THE CEILING ON BANK OF JAPAN (BOJ) YEN LOANS TO FOREX BANKS TO FINANCE IMPORTS WILL BE RAISED BY APPROXIMATELY \$1.1 BIL; (B) THE JAPAN EXPORT-IMPORT BANK WILL DRAW ON THE OFFICIAL RESERVES TO ESTABLISH A FOREIGN CURRENCY LENDING FACILITY TO FINANCE IMPORTS; (C) THE BOJ, IN ITS OPEN MARKET OPERATIONS, WILL GIVE PRIORITY TO PURCHASE OF YEN IMPORT-RELATED BILLS. EMBASSY BELIEVES THESE MEASURES SIGNIFICANTLY IMPROVE JAPANESE IMPORT FINANCING FACILITIES. END SUMMARY.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 19508 01 OF 02 201127Z

2. BOJ ANNOUNCED DEC 16 IT HAD DECIDED TO EXPAND THE CEILING FOR YEN LOANS MADE AVAILABLE TO FOREX BANKS FOR IMPORT FINANCING FROM PRESENT LEVEL OF SLIGHTLY MORE THAN 700 BIL YEN TO AROUND ONE TRILLION YEN (APPROX \$4.2 BIL AT 240 YEN/DOLLAR RATE). UNDER THIS PROGRAM BOJ LENDS YEN FUNDS TO EXCHANGE BANKS, WHICH USE THE PROCEEDS TO SWAP FOREIGN CURRENCY

FROM OFFICIAL RESERVES HELD IN THE GOVT FOREIGN EXCHANGE FUND SPECIAL ACCOUNT TO EXTEND FOREIGN CURRENCY LOANS TO JAPANESE IMPORTERS. THIS BOJ LOAN PROGRAM WAS ESTABLISHED IN 1970 AND AT ONE POINT HAD EXPANDED TO 2 TRILLION YEN, BUT SINCE THE OIL CRISIS HAS BEEN REDUCED TO AROUND 700 BIL YEN. ACCORDING TO BOJ OFFICIALS, OT OF ALL DOLLAR IMPORT USANCE CREDIT FACILITIES IN JAPAN, ABOUT 20 PERCENT IS PROVIDED THROUGH THIS BOJ YEN LOAN PROGRAM. AFTER EXPANSION OF THE PROGRAM, THE RATIO WILL RISE TO 30 PERCENT. IN CASE OF BOJ LOANS, COMMERCIAL BANKS CAN BORROW MONEY CURRENTLY AT AROUND 5 PERCENT PER ANNUM, THAT IS, THE PRESENT BOJ OFFICIAL DISCOUNT RATE OF 4.25 PERCENT PLUS ANDLING FEES. THE FULL COST WOULD INCLUDE WHATEVER PREMIUM OR DISCOUNT THE SPECIAL ACCOUNT CHARGES FOR THE FORWRD COVER TO COMPLETE THE SWAP TRANSACTION. COMMRCIAL BANKS CURRENTLY FIX THE MAXIMUM RATE ON THREE-MONTH DOLLAR IMPORT USANCE CREDITS AT 8.625 PERCENT PER ANNUM, WITH CREDITS BEING EXTNDEN AT RATES BETWEEN 7.625 AND 8.625 PERCENT. BOJ OFFICIAL ESTIMATES THIS MAXIMUM RATE WILL BE LOWERED BY 0.3 PERCENTAGE POINTS AS A RESULT OF THE EXPANSION OF ITS IMPORT FINANCING FACILITY.

3. MOF ANNOUNCED DEC 16 A PROGRAM TO LEND FOREIGN CURRRNCY FROM JAPAN'S OFFICIAL INTERNATIONAL RESERVES HELD BY THE GOVT FOREIGN EXCHANGE FUND SPECIAL ACCOUNT TO THE JAPAN EXIMBANK, WHICH WOULD IN TURN EXTEND FOREIGN CURRENCY LOANS TO FINANCE "EMERGENCY" IMPORTS OF ESSENTIAL GOODS. FOLLOWING IS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 19508 01 OF 02 201127Z

INFORMAL TRANSLATION OF MOF OFFICIAL STATEMENT RELEASED DEC 16. BEGIN MOF TEXT: IN VIEW OF RECENT TRENDS IN JAPAN'S BALANCE OF PAYMENTS, MOF HAS DECIDED TO IMPLEMENT THE FOLLOWING MEASURE IN ORDER TO PROMOTE EMERGENCY IMPORTS. (A) EXPORT-IMPORT BANK OF JAPAN WILL EXTEND FOREIGN CURRENCY LOANS TO EMERGENCY IMPORTERS OF ESSENTIAL GOODS. THE JAPAN EXIMBANK WILL RAISE NECESSARY FOREIGN CURRENCY FUNDS BY BORROWING FROM THE GOVT FOREIGN EXCHANGE FUND SPECIAL ACCOUNT. (B) LENDING TERMS: (I) LENDING RATE WILL BE FOREIGN CURRENCY LENDING RATE OF THE GOVT FOREIGN EXCHANGE FUND SPECIAL ACCOUNT PLUS 0.25 PERCENT. AT PRESENT, SUC, LENDING FROM THE SPECIAL ACCOUNT CARRIES A RATE OF 4.5 PERCENT. THEREFORE EXIMBANK LENDING RATE WILL BE 4.75 PERCENT. THIS LENDING RATE WILL BE CHANGED IN ACCORDANCE WITH CHANGES IN THE SPECIAL ACCOUNT LENDING RATE. (II) LOAN PERIOD WILL BE MORE THAN SIX MONTHS BUT LESS THAN THREE YEARS. (III) LOAN PARTICIPATION: IN PRINCIPLE, EXCLUSIVE LENDING BY EXIMBANK OF JAPAN (I.E. NO PRIVATE SECOND PARTICIPATION). (IV) LOAN APPLICATIONS WILL BE ACCEPTED FROM DEC 20, 1977 TO JUNE 19, 1978. END

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 TOKYO 19508 02 OF 02 210015Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 SS-15 STR-05 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 AGRE-00 DOE-12 SOE-01 IGA-02 /120 W
-----110338 210030Z /41

R 200908Z DEC 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 3715
TREASURY DEPT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS SECTION 2 OF 2 TOKYO 19508

MOF TEXT. AT PRESENT, ACCORDING TO PRESS REPORTS,
IMPORTS OF SUCH GOODS AS URANIUM, NON-FERROUS
METALS, AND MEDICAL EQUIPMENT AMOUNTING TO \$200 MIL ARE
UNDER CONSIDERATION FOR FINANCING BY THIS FACILITY. MOF
OFFICIALS REPORTEDLY SAID THEY HOPE PRIVATE CIRCLES WILL
MOVE POSITIVELY TO UTILIZE THE NEW IMPORT FINANCING FACILITY
AND THAT NO MAXIMUM HAS BEEN SET FOR THE AMOUNT OF LOANS.

4. THESE FIRST TWO MEASURES ARE DESIGNED TO IMPROVE
FOREIGN CURRENCY FINANCING OF IMPORTS. A THIRD STEP IS
BEING TAKEN TO IMPROVE YEN FIANCING FOR IMPORTS. ON DEC
16 THE BOJ ALSO ANNOUNCED IT WILL HENCEFORTH GIVE PRIORITY TO
PURCHASE OF YEN-DENOMINATED, IMPORT-RELATED BILLS IN CONDUCT-
ING ITS OPEN MARKET OPERATIONS.

TWO TYPES OF BILLS WILL BE ELIGIBLE FOR PURCHASE UNDER
THIS POLICY: (A) ORDINARY YEN-DENOMINATED IMPORT USANCE
BILLS, AND (B) YEN-DENOMINTED IMPORT SETTLEMENT BILLS,
I.E. BILLS DRAWN BY AN IMPORTER TO RECEIVE A YEN LOAN FROM
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 19508 02 OF 02 210015Z

A BANK IN ORDER TO SETTLE, AT SIGHT
THE FOREIGN CURRENCY OBLIGATIONS FOR BOTH IMPORTED GOODS
AND C.I.F. CHARGES. THESE TWO TYPES OF BILLS REPORTEDLY
TOTAL ABOUT 6.5 TRILLION YEN AT THE PRESENT TIME.

IN ADDITION TO GIVING PRIORITY TO PURCHASE OF YEN-
DENOMINATED IMPORT BILLS, THE BOJ WILL ALSO REMOVE THE
CEILING IT, UNTIL NOW, HAS MAINTAINED ON THE AMOUNT OF BILLS
OF INDIVIDUAL ENTERPRISES IT WAS WILLING TO PURCHASE.
REMOVAL OF THE CEILING APPLIES ONLY TO IMPORT BILLS.
THE PURPOSE OF MAINTAINING A LIMIT HAS BEEN TO PROVIDE
ACCESS TO THE WINDOW FOR A RANGE OF BORROWERS. CURRENTLY
22 CORPORATIONS ARE LIMITED BY THIS RESTRICTION AND THESE
ARE PRIMARILY TRADING FIRMS, THE FIRMS WHICH HANDLE THE
BULK OF JAPANESE IMPORTS.

5. (NOTE: BOJ HAS NOT RELEASED ANY WRITTEN STATEMENT CON-
CERNING MEASURES COVERED IN PARAS 2 AND 4 ABOVE. BOJ HAS
CONFIRMED TO EMBASSY GENERAL ACCURACY OF PRESS REPORTS ON
WHICH FOREGOING IS BASED.)

6. COMMENT: EMBASSY BELIEVES THAT FOREGOING REPRESENTS A
SIGNIFICANT IMPROVEMENT IN JAPANESE IMPORT FACILITIES.
ALTHOUGH IT IS IMPOSSIBLE TO PRECISELY QUANTIFY ITS EFFECTS,
WITHIN GIVEN CREDIT LIMITS,, THE BOJ MEASURES GIVE A DISTINCT
TILT IN FAVOR OF IMPORT FINANCING COMPARED TO EXPORT CREDIT
OR DOMESTIC FINANCING. THE YEN FINANCING MEASURES WILL ALSO
FURTHER THE YEN-SHIFT OBJECTIVE. THE NEW JAPAN EXIM FACILITY
MAY, IN A NUMBER OF CASES, PROVE TO BE ESSENTIAL TO FINANCING
THE IMPORTS IN QUESTION AND APPEARS TO PROVIDE HIGHLY COMPETI-
TIVE TERMS.

MANSFIELD

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TOKYO19508
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770474-1107
Format: TEL
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771234/aaaabcjh.tel
Line Count: 201
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: cb51cbff-c188-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 164487
Secure: OPEN
Status: NATIVE
Subject: GOJ EXPANDS IMPORT FINANCING FACILITIES
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/cb51cbff-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009